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Mergers & Acquisitions
Pharmaceutical and Biotechnology Sector Case Study

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Abstract

A glance at the worldwide M&A activity of pharmaceutical companies tells us that consolidation within this sector has not been reached and won't be soon. The trend of acquiring small biotech start-ups with promising research pipelines is essential for big pharmas to survive their highly competitive sector. Additionally, the global population is rapidly aging and hence, age-related diseases like Alzheimer Disease (AD) will increase and, with them, the need for treatments will rise. Therefore, big pharmaceutical companies need to strengthen their product pipelines with efficient, innovative market-disrupting solutions.

For Roche, one of the world's largest pharmaceuticals, the need to enhance their neuroscience product pipeline has recently increased, due to the failure in passing Phase III of its most promising AD drug in 2014. To "solve" this issue, this work provides a detailed evaluation of a potential M&A deal between Roche and the small German biotech Probiodrug, which, through an innovative approach, created a highly promising AD product, currently in Phase II. With successful approval of this product this deal will provide Roche with an increase in future sales and gives more potential for further research.

This work argues that Roche should make an offer with a 41% premium over todays share price, which is equal to EUR 29,78 per share. The total deal value will be EUR 202 mm and paid 100% in cash. Considering the possible synergy creation of the acquisition, in negotiations the total offer price might range from 41% up to 120% over the current share price.